

## Message Text

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PAGE 01 CANBER 08766 060920Z

21

ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 ITC-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 XMB-04 /123 W  
----- 011044

R 060531Z DEC 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 9437

INFO AMCONSUL BRISBANE

USDEL MTN GENEVA

AMEMBASSY LONDON

AMCONSUL MELBOURNE

USMISSION OECD PARIS

AMCONSUL PERTH

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

UNCLAS CANBERRA 8766

E.O. 11652: N/A

TAGS: ETRD, EFIN, EALR, AS

SUBJ: PROSPECTS FOR POST-DEVALUATION TARIFF ADJUSTMENT

REF: (A) CANBERRA 8603, (B) CANBERRA 8583 (BOTH NOTAL)

1. A POSSIBILITY APPEARS TO BE GROWING THAT GOA MAY INCLUDE SOME UNILATERAL TARIFF REDUCTIONS AMONG MEASURES TO CONTAIN INFLATIONARY EFFECTS OF NOVEMBER 28 DEVALUATION OF AUSTRALIAN DOLLAR.

2. WHEN DEVALUATION ANNOUNCED, PRIME MINISTER FRASER RULED OUT SUCH ACTION. DURING PAST WEEK, HOWEVER, AS DUST GRADUALLY  
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SETTLED AFTER UNEXPECTED HIGH LEVEL DEVALUATION DECISION,

PRESS, ACADEMIC, BUSINESS AND OFFICIAL DISCUSSION HAS SHIFTED TO CONSEQUENTIAL POLICY ADJUSTMENTS WHICH SHOULD BE CONSIDERED IN ORDER TO MINIMIZE UNDESIRABLE SIDE EFFECTS.

3. IN THIS PROCESS, STRONG PRESSURES ARE EMERGING FOR SOME TARIFF ACTION. PARLIAMENTARY PRESSURE ARISES FROM OPPOSITION AS WELL AS WITHIN CABINET AND AMONG GOVERNMENT BACKBENCHERS. IT IS REINFORCED BY RURAL AND EXPORT INTERESTS, AND A VARIETY OF OTHER AFFECTED SECTORS. WHILE THE FINAL OUTCOME IS HIGHLY UNCERTAIN, THE PRIME MINISTER MODIFIED HIS ORIGINAL RIGID POSITION AND AGREED AT LEAST TO CONSIDER THIS POSSIBILITY.

4. A WIDELY PUBLICIZED CALCULATION BY THE INDUSTRIES ASSISTANCE COMMISSION SHOWED THAT COMPLETE OFFSET FOR THE DEVALUATION'S EFFECT ON IMPORTS WOULD REQUIRE ELIMINATION OF MOST EXISTING TARIFFS AND SELECTIVE IMPORT SUBSIDIES IN THE LOWER TARIFF RATE SECTORS. WHILE THIS CALCULATION DRAMATIZED THE MAGNITUDES INVOLVED, IT IS SOMEWHAT ACADEMIC SINCE THE PROSPECT OF ANY DEEP OR ACROSS-THE-BOARD CUTS FACES STRONG COUNTERVAILING PRESSURES TO RETAIN ALL OR MOST OF THE DOMESTIC COMPETITIVE BENEFITS OF DEVALUATION FOR IMPORT-SENSITIVE AND HIGH UNEMPLOYMENT AUSTRALIAN MANUFACTURING INDUSTRIES. THE GOVERNMENT'S ANTI-PATHY TO ACROSS-THE-BOARD TARIFF REDUCTIONS IS ALSO HEIGHTENED BY MEMORIES OF THE WHITLAM GOVERNMENT'S 25 PERCENT UNILATERAL ACROSS-THE-BOARD TARIFF REDUCTION IN JULY 1973. THIS MOVE IS WIDELY, IF UNFAIRLY, VIEWED AS HAVING PLAYED A MAJOR ROLE IN THE 1974 IMPORT SURGE AND THE SUBSEQUENT DIFFICULTIES OF THE AUSTRALIAN MANUFACTURING SECTOR.

MOREOVER, THE GOA FACES SOME PROCEDURAL PROBLEMS BECAUSE INDUSTRIES ASSISTANCE COMMISSION LEGISLATION BINDS THE CABINET TO OBTAIN IAC PRODUCT RECOMMENDATIONS BEFORE TAKING ACTION ON ANY SELECTIVE TARIFF (OTHER THAN FLAT RATE ACROSS-THE-BOARD) REDUCTIONS.

5. IT APPEARS THAT THE PROPOSAL FOR TARIFF ACTION MAY RECEIVE CABINET OR CABINET COMMITTEE CONSIDERATION DURING THE CURRENT WEEK AND IT IS POSSIBLE THAT SOME COMPROMISE DECISION MAY BE REACHED ON THE ISSUE. BUT THE DESIRE TO BE SELECTIVE PROBABLY RULES OUT ANY ACROSS-THE-BOARD REDUCTION BEYOND A

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VERY MODEST TOKEN, WHILE THE REQUIREMENTS FOR IAC STUDY OF MORE SELECTIVE MEASURE PROBABLY IMPLY THAT FINAL ACTION, IF ANY, ON A SELECTIVE BASIS WOULD TAKE SOME TIME TO WORK OUT.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
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**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
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**Type:** TE  
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